

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: October 22, 2010

Approved

Date

10/22/10

COUNCIL DISTRICT: All
SNI AREA: Various

**SUBJECT: ADOPTION OF APPROPRIATION ORDINANCE AND FUNDING
SOURCES RESOLUTION AMENDMENTS IN THE GENERAL FUND
FOR REBALANCING ACTIONS RELATED TO THE 2010-2011
REDEVELOPMENT AGENCY REIMBURSED PROGRAMS**

RECOMMENDATION

Contingent upon Redevelopment Agency Board approval and adoption on November 2, 2010 of the Redevelopment Agency's Proposed 2010-2011 Revised Capital and Operating Budgets as amended by the Mayor's Budget Message:

- 1) Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund for 2010-2011:
 - a) Decrease the estimate for Revenue from Local Agencies by \$1,243,463;
 - b) Decrease the Parks, Recreation and Neighborhood Services Personal Services appropriation by \$125,000;
 - c) Decrease the Parks, Recreation and Neighborhood Services Non-Personal/Equipment appropriation by \$20,000;
 - d) Decrease the City-Wide San José BEST appropriation in the Parks, Recreation and Neighborhood Services Department by \$113,000;
 - e) Decrease the Police Personal Services appropriation by \$395,000;
 - f) Decrease the Police Non-Personal/Equipment appropriation by \$5,000; and
 - g) Decrease the City Attorney's Office Personal Services appropriation by \$352,192;
 - h) Decrease the City Attorney's Office Non-Personal/Equipment appropriation by \$76,872; and
 - i) Decrease the Redevelopment Agency Personal Services appropriation by \$156,399.
- 2) Eliminate 4.0 positions (1.0 Community Services Supervisor, 2.0 Maintenance Worker II, 1.0 Recreation Program Specialist) in the Parks, Recreation and Neighborhood Services Department; 4.0 Police Officer positions in the Police Department; 1.0 Deputy City

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Attorney position in the City Attorney's Office; and 3.0 positions (1.0 Assistant Executive Director, 1.0 Deputy Executive Director, 1.0 Economic Development Officer) in the Redevelopment Agency; and restore 1.0 Legal Administrative Assistant position in the City Attorney's Office.

OUTCOME

The City Council's approval of the recommended actions will rebalance the City's 2010-2011 Operating Budget to align resources and services with the recommended levels in the Redevelopment Agency's Proposed 2010-2011 Revised Capital and Operating Budgets as amended by the recently released Mayor's Budget Message. Upon the approval of the Redevelopment Agency (Agency) 2010-2011 Proposed Budget as recommended, the proposed budget actions in this memorandum bring the City's budget for services reimbursed by the Agency inline with the Agency's budget. The General Fund impact for 2010-2011 is an approximate \$25,000 loss of overhead reimbursement from the Redevelopment Agency to the General Fund. This adjustment is anticipated to be brought forward to the City Council as part of the 2010-2011 Mid-Year Budget Review.

Approval of this memorandum will also bring the City's budget in line with the recommended amendments to the cooperation agreements between the City and Agency which are included as a separate item on the November 2, 2010 City Council agenda.

Should the City Council and Redevelopment Agency Board not approve the Agency's Budget as amended by the recently released Mayor's Budget Message, an additional memorandum would be brought forward to make any further adjustments to align the City's budget for services reimbursed by the Agency with the Agency's Adopted 2010-2011 Budget.

BACKGROUND

As a result of current fiscal challenges, the Redevelopment Agency's Proposed 2010-2011 Revised Capital and Operating Budgets as amended by the recently released Mayor's Budget Message reflect a significant decline in revenues and the resulting tough decisions to reduce expenditures while continuing projects that will eliminate blight and stimulate the economy and generate jobs.

Historically, the Agency has reimbursed the City's General Fund for 1) unavoidable (non-discretionary) expenses to the Agency; 2) for direct services to the Agency, and 3) for discretionary programs in redevelopment areas consistent with the goals of the Agency. Due to the Agency's current financial situation and projections for the next several years, the Agency is unable to continue current funding levels. As such, the City has collaborated with the Agency to adjust reimbursement levels and service levels accordingly. Rebalancing actions reducing

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funding for City services and the corresponding program reductions in the City's budget have been brought forward for approval in 2009-2010 Mid-Year Budget Review (\$1.6 million) as well as the 2010-2011 Adopted Operating Budget (\$4.3 million; 18.50 position eliminations). Further reductions in General Fund reimbursements are necessary for 2010-2011 and are recommended in the areas of Public Property Management (blight abatement services), City Improvements, City Attorney's Office, and Agency Civil Service staff.

ANALYSIS

Should the Redevelopment Agency's Proposed 2010-2011 Revised Capital and Operating Budgets be approved as amended by the Mayor's Budget Message, it is necessary to align the City's 2010-2011 Adopted Operating Budget with the revised reimbursement levels. Currently, the City's budget assumes full funding for Agency reimbursed services at the 2010-2011 General Fund Adopted Budget levels. This memorandum makes recommendations that will align revenue estimates and budgeted expenditures with the Agency's Budgets. Recommended reductions include the elimination of 2.0 positions providing Public Property Management (blight abatement services) and corresponding non-personal/equipment costs; reduction in funding for City Improvements (reimbursement to the General Fund for eligible capital projects, which General Fund resources are then used to fund other City services including San José BEST and enhanced police services); the elimination of 1.0 Deputy City Attorney, defunding and holding vacant of 3.0 positions, and restoration of 1.0 Legal Administrative Assistant position in the City Attorney's Office; and the elimination 3.0 Agency Civil Service staff positions. It should be noted that layoffs of classified employees are not anticipated as a result of the actions recommended in this memorandum; sufficient vacancies exist within the City organization for employee placement purposes.

Public Property Management (blight abatement services)

It is recommended that 2.0 positions (2.0 Maintenance Worker II) in the Parks, Recreation and Neighborhood Services Department and non-personal/equipment funding for enhanced graffiti and blight abatement services for the San Jose Redevelopment Agency Downtown core and Strong Neighborhoods Initiative (SNI) areas throughout the City be eliminated effective November 2, 2010. A reduction in these services was approved in the City's 2010-2011 Adopted Operating Budget eliminating enhanced services for weed removal, general litter and debris clean-up in front of businesses and tree maintenance. This action eliminates the remaining staff and non-personal/equipment funding for graffiti abatement services funded by the Agency. As a result, graffiti abatement would shift from a proactive service to a response driven service. It should be noted that approximately 18.0 positions in the Parks, Recreation and Neighborhood Services Department will remain in 2010-2011 for graffiti abatement services city-wide.

City Improvements

A reduction of \$513,000 is recommended for City Improvements. The Agency currently reimburses the General Fund for eligible capital projects, which is then used to fund other City

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services including San José BEST and enhanced public safety services in the Downtown Core and SNI areas. As a result of the Agency's fiscal situation, the elimination of 2.0 positions (1.0 Community Services Supervisor, 1.0 Recreation Program Specialist) in the Parks, Recreation and Neighborhood Serviced Department that are assigned to the San José BEST Program and 4.0 Police Officers in the Police Department are recommended beginning November 2, 2010.

The elimination of 2.0 of 22.35 positions from the San José BEST Program would reduce staffing for support programs which aim to develop skills and competencies resulting in healthy and thriving youth and families. The Community Services Supervisor has been vacant since April 2010. Remaining resources will absorb responsibilities to the greatest extent possible.

The elimination of 4.0 Police Officer positions and associated non-personal/equipment funding including maintenance and operating funding for one marked vehicle for police patrol services in the Downtown core and SNI areas throughout the City is also recommended. In 2008-2009, 8.0 positions were added and this action, in combination with the elimination of 4.0 Police Officers that were approved as part of the City's 2010-2011 Adopted Operating Budget, would roll back this investment for enhanced public safety services in these areas. This would further reduce the four patrol teams in the Downtown core and SNI areas. As with the elimination of 4.0 Police Officers in the 2010-2011 Adopted Operating Budget, the Department will continue to monitor for adverse impacts and shift resources as necessary to mitigate impacts to the greatest extent possible.

City Attorney's Office

In the City Attorney's Office, as a result of an agreement between the City Attorney and the Agency's Executive Director, it is recommended that 1.0 Deputy City Attorney position be eliminated ongoing effective November 2, 2010; 3.0 positions be defunded and held vacant (1.0 Legal Services Manager beginning July 2010, 1.0 Legal Administrative Assistant beginning July 2010, 1.0 Police Officer beginning January 2011) during 2010-2011; 1.0 Legal Administrative Assistant position be restored for 2010-2011; and a one-time reduction of \$76,872 to the non-personal/equipment budget be approved. As discussed in the Mayor's Budget Message, the majority of these are one-time solutions and this cost-savings strategy should be reevaluated during next year's City budget process.

Agency Civil Service Staff

It is recommended that 3.0 Civil Service positions (1.0 Assistant Executive Director, 1.0 Deputy Executive Director, 1.0 Economic Development Officer) be eliminated beginning November 2, 2010. Per the Redevelopment Agency, the Assistant Executive Director position is anticipated to be converted to a direct Agency position in lieu of the Civil Service position, although no funding is currently included for the position in the Agency's proposed budget for 2010-2011.

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EVALUATION AND FOLLOW-UP

The General Fund impact for 2010-2011 is an approximate \$25,000 loss of overhead reimbursement from the Redevelopment Agency to the General Fund. This adjustment is anticipated to be brought forward to the City Council as part of the 2010-2011 Mid-Year Budget Review.

Should the City Council and Redevelopment Agency Board not approve the Agency's Budget as amended by the recently released Mayor's Budget Message, an additional memorandum would be brought forward to make any further adjustments to align the City's budget for services reimbursed by the Agency with the Agency's Adopted 2010-2011 Budget.

POLICY ALTERNATIVES

Not applicable

PUBLIC OUTREACH/INTEREST

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or Greater. **(Required: Website Posting)**
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-Mail Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although this project does not meet any of the above criteria, this memorandum is posted on the City's website for the Council Agenda.

COORDINATION

This memorandum has been coordinated with the Parks, Recreation and Neighborhood Services Department, the Police Department, the City Attorney's Office, and the San Jose Redevelopment Agency.

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COST IMPLICATIONS

The actions recommended in this memorandum align the City's General Fund Budget with the actions recommended in the Redevelopment Agency's Proposed 2010-2011 Revised Capital and Operating Budget as amended by the recently released Mayor's Budget Message that is set to be reviewed and amended/adopted at the November 2, 2010 Council Meeting. The General Fund impact for 2010-2011 is an approximate \$25,000 loss of overhead reimbursement from the Redevelopment Agency to the General Fund. This adjustment is anticipated to be brought forward to the City Council as part of the 2010-2011 Mid-Year Budget Review.

BUDGET REFERENCE

The table below identifies the fund and appropriations that will be impacted from the actions recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn.	Amount to Reduce	2010-2011 Adopted Operating Budget (Pg#)	Last Budget Action (Date, Ord. #)
001	0641	Parks, Recreation and Neighborhood Services Personal Services	\$40,441,106	(\$125,000)	VIII - 192	6/29/10, 28765
001	0642	Parks, Recreation and Neighborhood Services Non-Personal/ Equipment	\$12,290,438	(\$20,000)	VIII - 192	6/29/10, 28765
001	2778	San José BEST Program	\$4,899,350	(\$113,000)	IX - 27	6/29/10, 28765
001	0501	Police Department Personal Services	\$278,409,885	(\$395,000)	VIII - 230	8/03/10, 28779
001	0502	Police Department Non-Personal/ Equipment	\$18,536,466	(\$5,000)	VIII - 230	8/03/10, 28779
001	0441	City Attorney's Office Personal Services	\$10,811,196	(\$352,192)	VIII - 14	8/03/10, 28779
001	0442	City Attorney's Office Non-Personal/Equipment	\$713,275	(\$76,872)	VIII - 14	6/29/10, 28765
001	0161	Redevelopment Agency Personal Services	\$1,706,792	(\$156,399)	VIII - 274	6/29/10, 28765

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CEQA

Not a project

A handwritten signature in black ink, appearing to read "J. A. Maguire", with a stylized, cursive script.

JENNIFER A. MAGUIRE
Budget Director

For more information regarding this memorandum, contact Jennifer A. Maguire, Budget Director, (408) 535-8144.